

Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN JO 03594 172339Z

66

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 PA-04 PRS-01 USIA-15 EUR-25 DRC-01 /183 W

----- 046930

R 172240Z SEP 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 8128

LIMITED OFFICIAL USE SAN JOSE 3594

E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: NEW CENTRAL BANK PRESIDENT RAISES INTEREST

RATE CEILING

REF: SAN JOSE 3538

1. THE BOARD OF DIRECTORS OF THE CENTRAL BANK OF COSTA RICA MET SEPTEMBER 17 AND NAMED BERNAL JIMENEZ AS THE BANK'S NEW PRESIDENT. AT THE SAME MEETING THE BOARD APPROVED A SERIES OF MEASURES DESIGNED TO REVERSE THE OUTFLOW OF SHORT-TERM CAPITAL WHICH COSTA RICA HAS RECENTLY SUFFERED, AND WHICH MAY HAVE BEEN A CONTRIBUTING FACTOR IN THE RESIGNATION OF

FORMER CENTRAL BANK PRESIDENT CTAUDIO ALPIZAR.

2. IN ORDER TO ENCOURAGE AN INFLOW OF SHORT-TERM CAPITAL,

THE CENTRAL BANK WILL NOW ALLOW COSTA RICAN NATIONAL BANKS TO RECEIVE AND DENOMINATE DEPOSITS IN DOLLARS, POUNDS STERLING, GERMAN MARKS, SWISS FRANCS AND FRENCH FRANCS. INTEREST RATES ON SUCH DEPOSITS, WHICH WILL BE REVISED

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN JO 03594 172339Z

MONTHLY BY THE CENTRAL BANK, WILL BE 8 PERCENT FOR DEPOSITS OF FROM SIX TO NINE MONTHS, 9 PERCENT DEPOSITS OF FROM NINE TO TWELVE MONTHS, AND 11 PERCENT FOR DEPOSITS OF TWELVE MONTHS OR LONGER. INTEREST WILL BE PAID EVERY THREE MONTHS ON A TAX-FREE BASIS IN EITHER FOREIGN CURRENCY OR COLONAS

AT THE OPTION OF THE DEPOSITOR.

3. THE CENTRAL BANK ALSO RAISED THE INTEREST RATE CEILING APPLICABLE TO LOCAL SAVINGS AND LOAN TYPE INSTITUTIONS (FINANCIERAS). THESE INSTITUTIONS WILL BE PERMITTED TO PAY INTEREST AT A LEVEL ESTABLISHED MONTHLY BY THE CENTRAL BANK WHICH WILL BE BASED ON THE LONDON INTERBANK OFFERING RATE. THE EFFECT OF THIS MEASURE, AT PRESENT, WILL BE TO INCREASE THE INTEREST RATE THAT SUCH INSTITUTIONS CAN OFFER FOR DEPOSITS OF ONE YEAR OR MORE IN COLONES FROM 12 PERCENT TO 14 PERCENT. TO THE EXTENT THAT SUCH DEPOSITS COME FROM OUTSIDE THE COUNTRY THEY WILL NOT GIVE RISE TO ANY OBLIGATORY RESERVE REQUIREMENT.

4. A THIRD MEASURE TAKEN BY THE CENTRAL BANK TO DEFEND THE COLON WAS TO INCREASE THE INTEREST RATE ON NON-TERM SAVING DEPOSITS TO 3 PERCENT FOR DOLLAR DEPOSITS AND 5 PERCENT FOR DEPOSITS IN COLONES.

LANE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, PRESIDENT, PERSONNEL RESIGNATIONS, BANKERS, INTEREST RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANJO03594
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740260-1073
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740938/aaaabgmb.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: SAN JOSE 3538
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2002 by rowelle0>; APPROVED <06 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW CENTRAL BANK PRESIDENT RAISES INTEREST RATE CEILING
TAGS: EFIN, CS, (JIMENEZ, BERBNL)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005